

## **Key Points of the Testimony of Congressman Paul E. Kanjorski**

**Wed. June 13 – 10:00 a.m.**

Subcommittee on Specialty Crops and Foreign Agriculture Programs

RE: Review of the peanut program.

- The peanut program is a relic of the Great Depression with restrictive production quotas, high price supports, and severe import restrictions.
- The government mandates quotas each year for peanuts, keeping domestic prices at almost \$300 per ton over the world price. This is nearly double the world price.
- The program is a de facto transfer from consumers to producers. The GAO has estimated that this benefit to peanut quota holders is worth over \$300 million annually.
- These quotas are sold or passed down through generations. As a result, over 2/3 of quota holders do not even farm the land for which they hold the license. The value of renting out a peanut quota is \$240 per ton and more.
- The current peanut program hurts farmers by:
  - Providing quota holders with federal entitlement status not available to most peanut farmers;
  - Imposing a quota rent cost on actual peanut farmers. This is the largest portion of cost of production for peanut farmers who want to plant quota peanuts;
  - Denying market opportunities and planting options to farmers who do not hold a quota;
  - Awarding 22% of peanut quota holders with 80% of the subsidy payments;
  - Creating severe trade barriers to peanuts entering the US market. The US cannot expand exports of other agricultural commodities into foreign markets.
- The peanut program also greatly hurts consumers by:
  - Forcing consumers to spend another \$300 to \$500 million each year for peanuts and peanut products;
  - Requiring the purchase of higher-priced quota peanuts for the School Lunch Program and other food assistance programs;
  - Causing US consumers to pay more for peanuts than international consumers able to buy exported US peanuts at a much lower price.
- The peanut program also costs the federal government millions of dollars. Based on the most recent GAO report of 1993, the program cost the USDA \$34.4 million a year from 1986-1990.
- The Shays/Kanjorski bill phases down the peanut price support level for quota peanuts over three years, with the quota system being eliminated in 2004.
- In 2004, the peanut program would be replaced with a non-recourse loan. Peanuts would then be grown in the US with the same freedom afforded producers of other agricultural commodities under the 1996 Farm Bill.
- The bill would also provide a mechanism for USDA to purchase lower-priced non-quota peanuts for food assistance programs.